

Pittsburgh CPAC Newsletter



August 2001

LONG TERM CARE INSURANCE

Excerpts taken from Long Term Care Insurance for the Federal Family, OPM website

By Joyce Voynick

There is currently a proposal being created to offer comprehensive long term care insurance which includes coverage for: employees, annuitants (federal retirees), spouses, adult children (at least 18 yrs old), parents and parents –in-law of employees.

Additionally, it is under consideration for the plan to cover relatives, such as: parents, parents-in-law and stepparents of annuitants, unmarried former spouses of employees and annuitants who are receiving or are entitled to receive a portion of the employee/annuitant's (future) immediate annuity, adult foster children of employees and annuitants and unmarried brothers and sisters of employees and annuitant.

The plan is to offer the ability to customize the insurance, by having a “pool of choices”, for example, choosing a maximum weekly benefit and the length of the policy among other options.

There will be two benefit levels, either up to 100% of the maximum weekly benefit you choose, or up to 50% of the maximum weekly benefit you choose.

The premiums will be based on your age *when you buy your coverage*. The premium will also vary based on the weekly benefit, length of policy, the waiting period and the type of inflation protection you chose. There is no government contribution toward the premium, however, savings of 15-20% below standard premiums are expected because of group policy rates and economies of scale.

The coverage is fully portably, which means that if you leave Federal employment or get divorced from a federally employed spouse you can keep your policy at the same premium.

OPM is considering asking the insurance industry to make additional options available, such as:

- limited payment plans – which may include options to allow you to pay higher premiums for a limited number of years in order to have a paid-up policy at some point.

- spousal discount – there may be a discount if you and your spouse apply for and receive coverage at the same time, or there may be an option for a joint policy.

- policy downgrades – in the event that after paying premiums you can no longer afford a given premium due to a change of circumstances there may be options so that you may not have to abandon the policy.

OPM will hold an open season shortly before October 2002 when people in the eligible groups can apply for the insurance. Information will automatically be given to employees during the open season. There will be a toll free number established during the open season to request information on the program. OPM is expecting to conduct an extensive educational campaign in 2002. More in-depth information may be found at www.opm.gov and then select Federal Long Term Care Insurance.



FEDERAL WAGE SYSTEM (FWS) PAY ADJUSTMENTS

By Christine Fleming

Every year, when the new Federal Wage System (FWS) pay schedules are effected, we receive questions about the inequity of the percentages applied to the various grades and steps. Unlike the General Schedule (GS) pay schedule, the FWS schedules are not adjusted each year based on a single percentage being applied to each rate on the

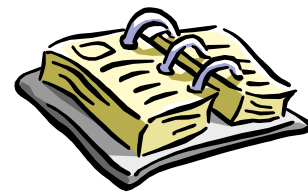
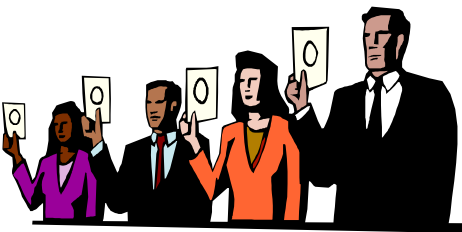
schedule. The intent of the FWS is to make the pay of federal blue-collar workers comparable to blue-collar workers in private industry.

FWS pay schedules are based on wage surveys that are conducted by a “lead” agency in each geographical wage area. “Lead” agencies are identified by the Office of Personnel Management. Wage surveys are conducted in roughly 131 wage areas across the country. All federal agencies in a wage area are required to pay their wage employees according to the wage schedule developed for that area. Wages are set based on similar levels of work done in private industry in a particular wage area. The effective dates of these pay schedules also vary. For example: In the Pittsburgh District, we apply three different FWS pay schedules. The Pittsburgh wage schedule is typically effective in October of each year, Cleveland wage schedule in June, and West Virginia in May.

To further demonstrate that the FWS schedules are not based on an across the board percentage increase, we can look at the wage schedule developed for the West Virginia wage area employees effective May 25, 1997. In that year, the hourly rate actually decreased for some grades and steps. For example, the hourly rate for WG-1 steps 1 through 5, and for WL-1 steps 1 through 5, decreased, while all of the other grades and steps remained the same or increased.

In contrast with the FWS pay schedules, the GS pay schedules are based on a single percentage increase applied across the board to the basic GS salary plus a locality based pay adjustment, also applied across the board in established locality pay areas. These increases are normally paid in January of each year.

More information about the Federal Wage system and how wage surveys are conducted can be found on the Office of Personnel Management’s website @ www.opm.gov.



VOLUNTARY SEPARATION INCENTIVE PAY (VSIP)

By Swan Wilkerson

VSIPs (also known as buyouts) are lump sum payments of up to \$25,000 paid to encourage permanent employees to resign or retire. Buyouts are targeted at employees in specific grades, series, or locations to help avoid reductions-in-force (RIFs) or minimize

involuntary separations due to RIF, base closure, transfer of function, reorganization or other similar action. The incentive applies only to voluntary separations (i.e., early retirement, optional retirement and resignation). Generally in DoD, activities must offer buyouts to their employees at least 30 days before they issue RIF notices. Employees are eligible for VSIP provided they are (1) U.S. citizens, (2) eligible for either voluntary early retirement, optional retirement or resignation; (3) serving under an appointment without time limitation and (4) have been continuously employed by the Federal Government for at least 12 months. Re-employment annuitants are not eligible for a buyout. Employees being paid under special salary rates or employed under a Direct Hire Authority are eligible for buyouts provided an equal number of special salary rate or direct hire positions are eliminated. Employees who decline an offer due to a Transfer of Function (TOF) are not eligible for a VSIP. VSIP is not automatic for employees. Approval of VSIP applications is contingent upon management's ability to identify how civilian reductions can be minimized and cost savings achieved through the use of VSIP authority. These decisions will be made locally. Approval of an incentive is limited to situations that clearly show it is cost effective and will avoid or minimize the need for involuntary separations.

The conditions that must be met before an employee retires or resigns are:

- a. **Optional Retirement:** Employees are eligible for optional retirement if they (1) have at least 30 years of service at age 55 (or Minimum Retirement Age, MRA, if the employee is covered by the Federal Employment Retirement System (FERS); (2) have at least 20 years of service at age 60; or (3) have at least 10 years of service and are at or above their MRA. FERS employees note that the MRA is never less than age 55.
- b. **Voluntary Early Retirement (VERA):** To be eligible for voluntary early retirement, an employee must have 20 years of service at age 50 or 25 years of service at any age. For employees coverage by the Civil Service Retirement System (CSRS), there is a 2 percent reduction in their annuity for each year they are under age 55 at the time of retirement. This annuity reduction is permanent and will not increase when the CSRS annuitant reaches age 55. FERS employees are not subject to this 2 percent reduction in annuity.
- c. **Voluntary Resignation:** An employee, regardless of the retirement system under which he/she is covered, may resign at any time.

If the number of eligible VSIP applicants exceeds the number of offers available, applications will be grouped by occupations and within each group, offers will be made in seniority order using the service computation date for leave. Veteran's preference and tenure are not considered in this process.

There are restrictions on re-employment and requirements to repay the VSIP if re-employed. Former Federal employees who return to work for the government after receiving a VSIP may be required to repay an amount equal to the VSIP amount received,

including Federal taxes that were withheld. Servicing Civilian Personnel Advisory Centers (CPACs) are required to inform prospective VSIP takers of the reemployment limitations and repayment requirements.

DOD VSIP authority is established in Title 5, USC, Section 5597, Separation Pay. The authority is effective through September 30, 2001 (Section 1106, Public Law 105-85, National Defense Authorization Action for Fiscal Year 1998 see references located at <http://cpol.army.mil/library/armyregs/memos98/vera98.html>).



RETIREMENT PLANNING

Debra J. Jefferson

Nondeduction Service for CSRS Employees

What is Nondeduction/Deposit Service? It is Federal civilian service during which no Civil Service retirement contributions were withheld (temporary time). The DEPOSIT is equal to the amount of money that you would have contributed to the Civil Service Retirement System had you been covered by the CSRS Act, plus interest.

How Does Nondeduction/Deposit Service Effect my Annuity? Credit for nondeduction service purposes depends upon the dates of service involved and whether or not a deposit was made for the time.

If the nondeduction service was performed prior to 1 October 1982 and the deposit IS NOT paid full credit is granted for eligibility and computation purposes. The Annual Retirement Benefit is reduced by 10% of the unpaid deposit including interest. **THIS REDUCTION IS FOR LIFE.** If the deposit IS PAID, full credit is granted for eligibility and computation purposes.

Nondeduction service performed on or after 1 October 1982 for which a deposit IS NOT paid, credit is granted for eligibility only. No credit is granted for computation.

Nondeduction Service for **FERS** Employees

Nondeduction service under **FERS** is treated *very* differently from CSRS. Nondeduction service performed prior to 1 January 1989 can be counted for **FERS** retirement purposes (both eligibility to retire and dollar amount of the annuity) **ONLY** after the deposit for the service has been paid.

Nondeduction service performed on or after 1 January 1989 cannot be used for any retirement purpose. A deposit can NEVER be made for the nondeduction service performed on or after 1 January 1989.

IF YOU WISH TO BUY BACK YOUR TEMPORARY TIME, PLEASE CONTACT THE ARMY BENEFITS CENTER (ABC).